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The *Daily* will adopt a new typeface and a larger page size beginning with the issue of 11 March. The format of the *Daily* will not change.

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USSR: Political Developments

General Secretary Andropov could be trying to convene the Central Committee this month to implement some personnel changes, but he may be encountering some resistance. [redacted]

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A Soviet propaganda official told US Embassy officers in Moscow last week that a plenum would be held in March. The next day Marxist historian Roy Medvedev told the officers the same thing, adding that Andropov is rumored to be seeking the expulsion of two Committee members who have been accused of corruption. [redacted]

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Medvedev, however, questioned the strength of Andropov's support. He noted that the General Secretary has yet to build a base of support in the Central Committee among the regional party secretaries who were installed in the Brezhnev era. [redacted]

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Comment:

[redacted]
Andropov intends to install his own team, but no major personnel changes have been made in the past month. Meanwhile, rumors persist that the Politburo itself is divided in its support for Andropov. For example, a middle-level Soviet diplomat in Belgrade previously had reported a verbal clash between Andropov and Politburo member Grishin in January. [redacted]

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Expelling the two Committee members would reinforce Andropov's campaign against corruption. Trying to do so, however, could backfire. Other members of the Committee might see the move as the start of a purge that could include them. [redacted]

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Andropov's public appearances have been infrequent in the past several weeks, and his other activities are not known. He may be preoccupied with the latent opposition to his reported plans for personnel changes. [redacted]
[redacted]

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8 EC-POLAND: Pressures for Debt Rescheduling

EC countries are increasingly anxious to begin talks aimed at rescheduling Poland's \$10 billion in debt backed by Western government guarantees. [redacted]

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Last week EC Foreign Ministers agreed to discuss with the US and other creditors the need to reschedule overdue payments for \$4 billion owed by Warsaw in 1982. Western governments suspended rescheduling negotiations with Poland in response to martial law, and since December 1981 Poland has refused to make any installment or service payments on officially backed debts. [redacted]

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West German Foreign Minister Genscher, who chaired the meeting, contended that the stalemate benefits only Poland because Warsaw makes no payments. The Community wants to bring the issue before the Paris Club--the group of major Western governments responsible for rescheduling officially backed debts--when it meets next month. EC Foreign Ministers want the Club to agree to negotiate simultaneously with Poland on the payment of arrears on the debt rescheduling agreement for 1981 and on ways to reschedule the debt for 1982. [redacted]

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Comment: The Foreign Ministers apparently have concluded that refusing to reschedule Warsaw's debt has had little influence on political developments in Poland. West Germany and France in particular previously believed that agreement to reschedule would send the wrong political signal to Polish authorities and weaken Western unity. Community members now agree that this policy created a de facto moratorium on debt repayment that inadvertently rewarded Warsaw and is increasingly difficult to justify to national parliaments. [redacted]

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The EC countries probably will increase their informal efforts before the next meeting of the Club to secure US agreement to resume debt rescheduling talks with Poland. EC leaders are likely to discuss developments in Poland and debt rescheduling at their summit meeting in Brussels on 21 and 22 March. [redacted]

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NETHERLANDS: More Strains on Defense

A recent Dutch Government decision to pour funds into three financially troubled shipyards may delay the purchase of badly needed surface-to-air missiles and fighter aircraft. []

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The US Embassy reports that the decision to salvage the defense-related components of the bankrupt conglomerate may come at the expense of major military modernization programs and operating and maintenance funds. The government intends to preserve the conglomerate's defense-related capabilities, including the country's only frigate and submarine construction facilities. []

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19 Government officials have indicated that \$550 million will be required over the next six years to keep the shipyards operating. Despite strong objections from Defense Minister de Ruiter, most of the funds reportedly will come from the defense budget. The Dutch are said to be considering accelerating orders for a new class of small frigates and new submarines planned for the late 1980s, perhaps by delaying or altering the purchase of additional F-16 aircraft, the Patriot SAM system, or other programs. []

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Comment: Budget constraints have already resulted in force reductions, delays in equipment procurement, and reductions in operating and maintenance levels. Any acceleration in Navy modernization programs would require diversion of funds from Army and Air Force programs. []

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Planned procurement of F-16 aircraft has been delayed as a result of limits on the budget for this year. Further cuts could seriously delay plans to replace aging NF-5 fighter-bombers in the late 1980s. []

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Pressure to reallocate defense funds to ailing domestic industries has raised Dutch hopes that discussions between the US and West Germany will result in a less costly means of acquiring the Patriot. This may cause the Dutch to delay their purchase of the Patriot, which is scheduled for October. []

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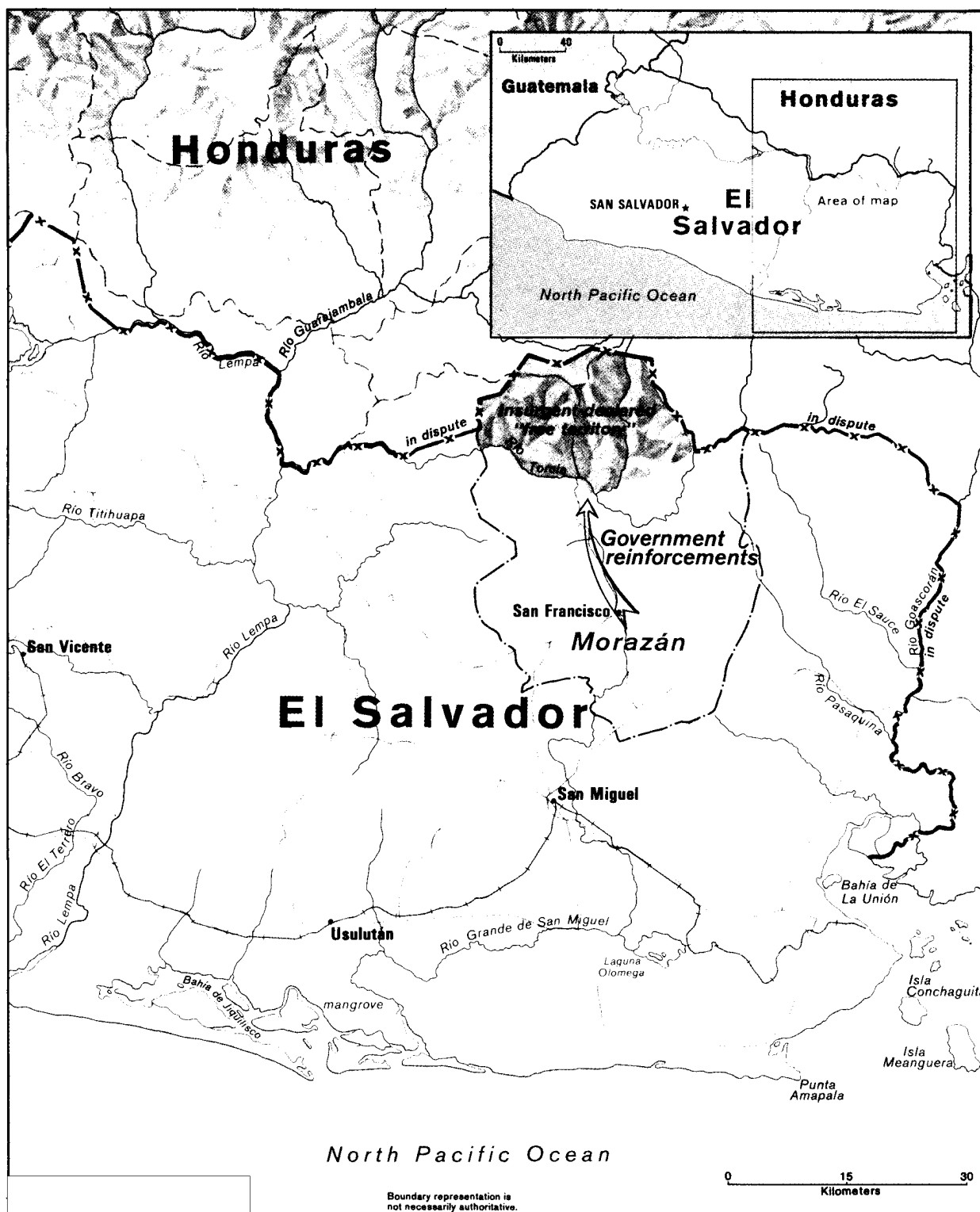
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EL SALVADOR: Renewed Fighting

The Army has sent reinforcements to Morazan Department to drive back guerrillas threatening the local capital. The insurgents have challenged the government by declaring most of the region a "free territory" but have been forced to withdraw from several towns seized early last week. They have announced a new sabotage campaign against transportation and electrical power systems.

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13 Comment: The Army appears ready to react to any new threats by the insurgents, who are trying to regain the military initiative after the Pope's visit. Nonetheless, the guerrillas are known to have large amounts of explosives on hand as a result of previous deliveries, and in the next few weeks they may be able to attack some key economic targets. The declaration of a "free territory" in northern Morazan may be aimed at obtaining increased international political support.

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HAITI: Pope's Visit

13 Pope John Paul's stop in Haiti today is likely to increase tension between the Haitian Catholic Church and the Duvalier regime. The government has reprimanded several priests in recent months for criticizing it, and last month the Church issued a strongly worded pastoral letter protesting the jailing and reported harsh treatment of a Catholic layman. The US Embassy says advocates of a more militant Church role in bringing about social change are gaining strength, and they believe that the Church--silenced during the 1960s but more outspoken since President Duvalier eased repression--is the only institution able to confront the government.

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Comment: Although tension eased following the release of the layman, dissident clerics will be encouraged by any papal criticism leveled at the regime. They appear unlikely to support violent tactics, but their criticism will increase pressure on Duvalier to accelerate political and social reforms.

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2 POLAND-USSR: Foreign Minister's Visit

1-4 The communique issued on Friday at the conclusion of Polish Foreign Minister Olszowski's visit to Moscow highlighted recent Warsaw Pact disarmament initiatives, condemned US "interference" in Poland, and denounced West German "revanchism." TASS reported that Olszowski and Premier Tikhonov discussed the need to increase industrial cooperation. In a television interview, the Foreign Minister noted the difficulties facing Poland but affirmed his country is on the right path. He also maintained that a recent article by General Secretary Andropov hinting at some ideological flexibility has attracted great interest in Poland. [redacted]

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Comment: The communique's stress on arms control presumably was designed in part to influence the West German elections. The visit, however, probably focused on broad economic issues and the political situation in Poland, particularly the papal visit planned for June. The defensive tone of some of Olszowski's remarks suggests he was questioned closely on these issues. The Poles may view Andropov's article as a sign that he is willing to give them some leeway in trying to solve their problems. [redacted]

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USSR-VIETNAM: Naval Cooperation

The Soviets are upgrading Vietnamese naval repair facilities at Ho Chi Minh City. They are installing the 8,500-ton lift capacity drydock that they delivered last December. [REDACTED]

[REDACTED]

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Comment: The Soviets presumably sent the drydock because the port already had repair facilities--including a graving dock used for work on ships' hulls--and some skilled labor. They also may have wanted to improve the facilities because Soviet naval ships have not had access to repair facilities in Singapore since 1980. No Soviet warships have been observed being repaired at Ho Chi Minh City, but when the drydock is installed it could handle ships up to the size of a guided-missile cruiser. The facility probably will also continue to service Vietnamese ships. [REDACTED]

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[redacted]

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Special Analysis

ARGENTINA-USSR: Prospects for Closer Ties

2 *Relations between Buenos Aires and Moscow have improved considerably since the conflict in the Falklands, but practical and ideological constraints are likely to preclude any further strengthening of ties during the next year. The Argentines, in return for Soviet political support during the war, have expanded commercial relations and have demonstrated increased willingness to cooperate with the Soviets in international forums. Buenos Aires probably will use the prospect of a continuing thaw as a lever to encourage the US and other Western countries to be more forthcoming on bilateral matters.* [redacted]

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2 Argentine-Soviet relations before the conflict were built around common interests in only a few areas. Grain sales to Moscow, the result of the US embargo in 1980, dominated the relationship. Argentina also had some interest in using the USSR as a source of safeguarded nuclear technology and materials. [redacted]

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2 Diplomatic cooperation was confined largely to blocking international human rights investigations. Soviet offers of arms sales were rebuffed, and military relations were limited to one Soviet-initiated ship visit and an exchange of officer visits in 1979. Argentina's interest in maintaining contact even at these low levels waned in the months before the war as leaders of the regime increasingly aligned themselves with the West. [redacted]

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1 At the outset of the war Moscow dealt Buenos Aires a severe diplomatic blow by failing to veto anti-Argentine resolutions in the UN Security Council. The Soviets, however, soon became a strong supporter of Argentina

[redacted]

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Compensating Moscow

Since the end of the war, the Argentines have sought to compensate the USSR for its support--although concentrating on areas that would work to their own advantage. For example, they have shown greater flexibility on commercial and trade matters to help Moscow reduce the trade deficit it has incurred as a result of massive grain purchases.

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In late December the two governments signed a civil air accord.

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In addition, prewar nuclear agreements are going well. The USSR has expressed an interest in providing aid for a fast breeder reactor program for Argentina if Buenos Aires decides to undertake such a project.

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Argentina also has showed its appreciation by sending a high-level delegation to Brezhnev's funeral, approving the opening of a Soviet News Agency office in Buenos Aires.

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Constraints on Bilateral Ties

Despite these gains, there are significant constraints on further substantive improvements in bilateral relations over the short term. The military and leading politicians of both major political parties remain anti-Communist, and any new leadership in Buenos Aires almost certainly would reflect this sentiment. This pervasive anti-Communism diminishes the likelihood that the Soviets will be able to use the Argentine Communist Party to exert significant influence in the near term.

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Argentina's flexibility to make commercial concessions is limited. The country's increasing need for hard currency to pay for imports seems likely to preclude any shift in its longstanding policy of selling for cash. [REDACTED]

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There also are limits to Argentina's willingness to cooperate on foreign policy matters. [REDACTED]

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[REDACTED] Buenos Aires supported a UN resolution condemning the occupation of Afghanistan. [REDACTED]

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In addition, the Argentines have thus far resisted Moscow's arms sales overtures. The technical difficulties posed by integrating Soviet weapons into current inventories--as well as ideological concerns--probably will continue to preclude any arms purchases. Argentina might reconsider its position, but only in the unlikely event that all other sources were denied. [REDACTED]

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Leverage on the US

Although Buenos Aires probably will not seek or welcome closer relations with the Soviets, it is likely to continue using the prospect of increased Soviet influence as a lever on the US and other Western nations. The Argentines almost certainly calculate that the threat of increased ties with Moscow would encourage the US to end its arms embargo and to urge London to resume negotiations to resolve the Falklands dispute. [REDACTED]

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Argentina probably also believes that closer ties with the USSR would demonstrate its policy independence from Washington. Buenos Aires may reason that this would indirectly strengthen Third World support for diplomatic initiatives related to the Falklands. [REDACTED]

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